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CAN THE FARMS OF THE UNITED STATES PAY FOR  
THEMSELVES?<sup>1</sup>

GEORGE STEWART,<sup>2</sup>

LOGAN, UTAH.

Of late years there has been considerable stir concerning the "back-to-the-land" movement. Much might honestly be said in its favor; more has been said than the evidence in the case seems to warrant. The city man on the farm has not always been a success. Possibly he has failed more times than he has succeeded; that, however, is aside. The "folly" farm of the rich deserves no consideration here. Only that farm where the operator has tried to build a home and earn a living demands serious attention.

Men not only from the city, but from the rural districts as well, have tried to "break into the farming game." This used to be easy so long as good farms could be secured by homesteading or by buying up the claim of a pioneer so discontented that he chose to try elsewhere. A man could then come into possession of farming land without a great outlay in capital. Now, however, the whole thing is changed. It is no longer easy to acquire ownership of good tillable land. A would-be farm owner who has no birthright on the land must either take land bearing a handicap (such as stumps, swamps, alkali minerals, stones, poor topography, depleted fertility, long distance from the railroad, or some other natural barrier to an easy conquering of the land) or purchase a developed farmstead.

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This study which deals with the purchase method of acquiring land indicates that it is difficult to pay for a farm out of the proceeds of that farm. It further indicates that the difficulty is so great as materially to destroy the incentive for purchase on the part of a legitimate prospective tiller of the soil. The rapid increase in tenancy in some of the most prosperous farming sections seems to bear out the conclusion that it is more profitable for the small farmer to let some one with more ready capital own the land.

This must not of course be interpreted to mean that agriculture as a pursuit is endangered. If there could be but one industry in the universe, that one must of necessity be agriculture. So long as peoples dwell upon the earth, crops and animals will be produced and always more and more efficiently. It is doubtful, however, if the farmers of the United States are likely ever again to be able to acquire the ownership of land on easy terms. As a consequence, one of two things—possibly both—is likely to happen. In the first place, the poorer farmers may be gradually crowded from the land—at least from ownership—leaving only the most fit to occupy the place of owner-operator. In the second place, it may happen that non-resident capitalists may come into possession of the land. This class of land-owners is able to purchase high-priced land even with low rental returns because of the security of the investment and because of the almost certain increase in land values, the unearned increment making the investment profitable.

It is conceivable also that a change in relative prices, due to a readjustment in production, marketing, or distribution, may again make possible the easy acquirement of land. The present study, however, does not aspire to deal with economic problems of such magnitude. A brief survey of the present condition is all that is aimed at.

At the very outset it is well to admit that there are fairly frequent "lucky" purchases of the farms which pay for themselves handsomely in a few years. However, when whole districts are considered, it is likely that these promising purchases are occasional rather than usual.

#### AREAS SURVEYED.

The author has studied the problem from several points of view. After two years' experience as an instructor in farm management he coöperated during the summer of 1915 with the Office of Farm Management of the United States Department of Agriculture in a farm-management survey in three of the counties of Utah. The idea that

ordinary farms could not pay for themselves suggested itself on several occasions. During the winter of 1915-16 much data were worked over and tabulated. In 1916 and 1917 an opportunity was offered to study at first hand the conditions in south central New York State. This experience and further study at Cornell University served only to strengthen the original impression that farms were no longer easy to acquire. Accordingly, during the school years of 1917-1918 and 1918-1919 the scope of study was enlarged and made to include all areas of the United States for which published surveys were readily available. The data were then worked up into tabular form and later rechecked several times. The areas used are from such various parts of the country as to represent rather typical regions. This can be seen from the fact that there are 26 areas in 21 states scattered rather widely over the United States. As can be seen by referring to the tables, three of these states are in the North Atlantic division, eight in the north central states, three in the south central group, three in the southern states, and four in the western or mountain states.

In three states two areas for each state are reported. In Utah are three surveyed areas. In each case either a different type of farming is represented or a change in the region. They are as follows:

Area	Type of Farming
<i>Georgia</i>	
Brooks County (coastal plains) ..	Cotton.
Sumter County (coastal plains) ..	Cotton and livestock—especially hogs.
<i>Kentucky</i>	
Bluegrass region .....	Tobacco and livestock.
Southwestern .....	Wheat, tobacco, and general farming.
<i>Illinois</i>	
Kane County .....	Dairy.
West central .....	Grain, livestock, and general farming.
<i>Utah</i>	
Provo area .....	Small orchards, sugar-beets, and some livestock.
Six Counties .....	Various: from nearly pure livestock to diversified general farming—sugar-beets in some, not in others.
Salt Lake Valley .....	Diversified general farming — sugar-beets, hay, and some trucking.

The other areas are one in each state. They show the following types:

Arens	Type of Farming
<i>North Atlantic States</i>	
New York .....	General farming.
New Jersey .....	Potato growing.
Pennsylvania .....	Market milk and hay.
<i>North Central States</i>	
Indiana .....	Grain and livestock.
Iowa .....	Grain, hay, beef cattle and hogs.
Michigan .....	General farming.
Minnesota .....	Grain and livestock.
Nebraska .....	Hogs, cattle, corn and winter wheat.
Ohio (hill region) .....	"Mixed" beef cattle, sheep and feed crops.
Wisconsin .....	Dairying.
<i>South Central States</i>	
Missouri .....	Wheat, corn, cattle and hogs.
West Virginia .....	Average for state (taken from census).
<i>Southern States</i>	
South Carolina (coastal plains) ..	Cotton with some livestock.
Texas (heavy soil) .....	Cotton with some corn and hogs.
<i>Western States</i>	
Arizona .....	Dairying, alfalfa, and beef cattle.
Montana .....	Small grains and cattle.
Oregon .....	Small grains.

The facts reported in some of the publications could not be used because of incomplete data. As a whole, however, all that gave comparable data were taken, and in most cases the entire number is represented. The averages used throughout were weighted by multiplying the data for each group of farms by the number of farms in that group. By this means a true average was more nearly approximated than would have been the case otherwise.

#### *Data Accumulated for Study.*

A summary of the capital, farm income, and labor income when interest on the capital is computed at 5, 6, 8, or 10 per cent, is shown in Table I.

Table 2 shows the annual payment necessary to amortize the farm in 10, 20, or 30 years with interest on the mortgage at 5, 6, 8, or 10 per cent. This was computed from the "average capital" column of

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TABLE I.—*Summary of Capital, Farm Income, and Labor Income on Farms when Interest on Capital is Computed at 5, 6, 8, and 10 Percent.*

State,	Area.	Number of Farms,	Average Capital.	Farm Income.	5%.	6%.	8%.	10%.
<i>North Atlantic States:</i>								
New York (25)*	Tompkins County	749	5,527	423	367	257	146	
	Monmouth "	343	19,165	846	652	271	—	112
	Chester "	378	10,486	789	684	474	—	205
Illinois (4) . . . . .	Kane County	59	37,896	2,766	1,023	644	—114	—872
Illinois (23) . . . . .	West Central	73	51,091	3,176	622	111	—911	—1,933
Indiana (23) . . . . .	Central	123	17,535	1,187	310	135	—215	—596
Iowa (23) . . . . .	West Central	77	23,193	1,450	59	405	—405	—869
Michigan (10) . . . . .	Lenawee County	300	11,756	1,068	481	363	128	—107
Minnesota (5) . . . . .	Southeastern	231	14,636	1,170	438	292	—0	—292
Nebraska (12) . . . . .	Eastern	195	26,646	1,717	385	119	—413	—945
Ohio (15) . . . . .	Washington County	73	5,652	443	161	104	—9	—122
Wisconsin (4) . . . . .	Green County	84	31,036	1,940	730	420	—201	—822
<i>South Central States:</i>								
Kentucky (3) . . . . .	Bluegrass Region	187	37,793	2,576	686	308	—448	—1,204
Kentucky (2) . . . . .	Southwestern	342	17,029	1,208	357	187	—154	—494
Missouri (19) . . . . .	Southwestern	243	9,033	822	370	280	100	—80
West Virginia (17) . . . . .	Average Farm	3,255	344	181	148	81	—	16
<i>Southern States:</i>								
Georgia (14) . . . . .	Brooks County	106	8,992	952	502	412	232	52
Georgia (11) . . . . .	Sumter "	299	15,781	1,712	923	765	450	134
South Carolina (18) . . . . .	Anderson "	92	5,529	404	129	74	—	147
Texas (26) . . . . .	Ellis "	79	16,019	1,457	656	496	175	—155
<i>Western States:</i>								
Arizona (7) . . . . .	Southern	446	20,706	2,370	1,335	1,128	713	300
Montana (9) . . . . .	Gallatin Valley	186	27,173	2,185	826	555	13	529
Oregon (16) . . . . .	Willamette Valley	212	22,699	1,322	187	—39	—494	—948
Utah (8) . . . . .	Provo	75	11,688	1,312	728	611	777	143
Utah (6) . . . . .	Six counties	399	11,886	1,135	541	422	184	54
Utah (27) . . . . .	Salt Lake Valley	429	12,296	927	312	189	—46	—303

\* The numbers refer to citations in bibliography.

TABLE 2.—*Annual Payment Necessary to Pay for Farm on Amortization Plan in 10, 20, or 30 Years with Interest on Mortgage at 5, 6, 8, or 10 Percent.*

State.	Area.	10 Years.				20 Years.				30 Years.			
		5%*	6%	8%	10%	5%*	6%	8%	10%	5%*	6%	8%	10%*
<i>North Atlantic States:</i>													
New York.....	Tompkins County	716	751	824	899	443	482	563	649	360	401	491	591
New Jersey.....	Monmouth "	2,482	2,604	2,856	3,110	1,538	1,671	1,952	2,251	1,247	1,392	1,702	2,050
Pennsylvania.....	Chester "	1,358	1,425	1,563	1,706	841	914	1,068	1,232	682	762	931	1,122
<i>North Central States:</i>													
Illinois.....	Kane County	4,908	5,149	5,648	6,168	3,041	3,391	3,859	4,451	2,465	2,753	3,366	4,054
Illinois.....	West Central	6,616	6,941	7,614	8,314	4,100	4,454	5,293	6,001	3,323	3,711	4,538	5,465
Indiana.....	Central	2,271	2,382	2,613	2,853	1,497	1,529	1,786	2,059	1,141	1,273	1,558	1,876
Iowa.....	West Central	3,003	3,151	3,450	3,774	1,861	2,022	2,361	2,724	1,509	1,685	2,060	2,481
Michigan.....	Lenawee County	1,522	1,597	1,752	1,913	943	1,025	1,197	1,381	765	854	1,044	1,258
Minnesota.....	Southeastern	1,895	1,988	2,181	2,382	1,174	1,276	1,491	1,719	952	1,063	1,300	1,566
Nebraska.....	Eastern	3,451	3,620	3,971	4,336	2,138	2,323	2,714	3,130	1,733	1,936	2,367	2,850
Ohio.....	Washington Co.	732	768	842	920	454	493	576	664	368	411	502	605
Wisconsin.....	Green County	4,019	4,217	4,625	5,930	2,490	2,706	3,161	3,645	2,019	2,255	2,757	3,320
<i>South Central States:</i>													
Kentucky.....	Bluegrass Region	4,894	5,135	5,632	6,150	3,033	3,295	3,849	4,439	2,458	2,745	3,357	4,043
Kentucky.....	Southwestern	2,205	2,314	2,538	2,771	1,366	1,485	1,734	2,000	1,108	1,237	1,513	1,822
Missouri.....	Southwestern	1,170	1,227	1,346	1,470	725	787	920	1,060	588	656	802	966
Average Farm		422	442	485	530	261	284	331	382	212	236	289	348
<i>Southern States:</i>													
Georgia.....	Brooks County	1,164	1,221	1,340	1,463	722	784	916	1,056	585	653	798	962
Georgia.....	Sumter "	2,022	2,144	2,352	2,568	1,266	1,376	1,607	1,853	1,027	1,146	1,402	1,687
Anderson "		716	751	824	900	444	482	563	649	360	402	491	591
Ellis County		2,074	2,177	2,387	2,607	1,285	1,397	1,631	1,882	1,042	1,164	1,423	1,714
<i>Western States:</i>													
Arizona.....	Southern	2,681	2,813	3,086	3,369	1,661	1,805	2,109	2,432	1,347	1,504	1,839	2,215
Montana.....	Gallatin Valley	3,510	3,692	4,050	4,422	2,180	2,369	2,767	3,191	1,768	1,974	2,414	2,907
Oregon.....	Gallatin Valley	2,940	3,084	3,383	3,994	1,821	1,979	2,312	2,666	1,477	1,649	2,016	2,428
Utah.....	Provo	1,514	1,588	1,742	1,902	938	1,019	1,190	1,373	760	849	1,038	1,250
Utah.....	Six Counties	1,539	1,615	1,771	1,934	954	1,036	1,210	1,396	773	863	1,056	1,271
Utah.....	Salt Lake Valley	1,592	1,671	1,832	2,001	987	1,072	1,252	1,442	800	893	1,092	1,315

Table 1 by using the ordinary formula for computing annual payments on amortization purchases:

$$R = \frac{Ai}{1 - (1 + i)^{-n}},$$

where  $R$  represents the size of equal annual payments,  $A$  the face of debt,  $i$  the rate of interest, and  $n$  the number of annual payments.

Table 3 shows how much money is left available for family use after making the annual payment including interest at 5, 6, 8, or 10 percent. The farm income represents the total net income of the operator, including interest on the investment. All payment must be made from this fund except for unpaid family labor which is computed and subtracted as an expense, but which is allowed for in Table 5. The annual installment necessary to pay for the farm in each period of time and for each rate of interest is subtracted from the farm income. It is this difference that appears in Table 3. Minus (—) signs indicate that the necessary payment is larger than the farm income by the figure that follows. The absence of signs indicates that the farm income is larger than the necessary payment by the amount shown, which then is the total cash left to defray all family expenses including purchased food, clothing, taxes, education, church donations, and amusements. In justice, let it be remembered that in addition the family has a home in which to live and whatever else the farm contributes directly to family living such as meat, milk, eggs, honey, fruit, vegetables, and fuel. This and rent on the house has been shown to be equal to about \$477 in Nebraska (12); and \$421 as an average for the ten states (13) of North Carolina, Georgia, Texas, Kansas, Iowa, Wisconsin, Ohio, Pennsylvania, New York, and Vermont; \$256 in Arizona (7) and \$600 in some parts of Utah (6), and \$150 in other parts (27). None of this is converted into cash, however, or it would be included as farm income. It cannot, therefore, be used in any way toward paying for the farm, except as it permits more cash to be diverted in that direction.

An analysis of Table 1 shows the capital invested to vary from \$3,255 for the "average farm" of West Virginia to \$51,091 for the grain and livestock area of West Central Illinois. Possibly it may not be fair to take the West Virginia figure for comparison on account of its being a computation from the U. S. Census instead of survey data. If this be left out, then the area of next lowest capital is Tompkins County, New York, with \$5,527. This, however, is not

much lower than the figures for Anderson County, South Carolina, and Washington County, Ohio, which are \$5,529 and \$5,652, respectively. A few of the areas of high capitalization are West Central Illinois with \$51,091; Kane County, Illinois, with \$37,896; the Blue-grass Region, Kentucky, with \$37,793; Green County, Wisconsin, with \$31,036; Gallatin Valley, Montana, with \$27,193; Nebraska, with \$26,646; West Central Iowa, with \$23,193; Willamette Valley, Oregon, with \$22,699; and Arizona, with \$20,706.

It is interesting to note that all of the areas with a very low total investment lie either in the Appalachian hill country or in the Atlantic Coastal Plain, both regions of low-priced land. With the exception of the Willamette Valley in Oregon, all the regions carrying a high investment lie either in the corn belt or in the irrigated regions. In both, land values are usually high and considerable livestock is kept in most cases. In the Willamette area, land values seem to be unwarrantably high for the type of region. This is shown by the large minus labor incomes as soon as the 5 percent interest rate is exceeded. The Utah areas are shown to bear comparatively low investments, in spite of the fact that the land is in the irrigated section and rather high-priced. The low average capitalization is a result of small farms, occasioned in the beginning by a village system of settlement which improved social, religious, and educational conditions somewhat at the expense of later economic welfare. Although much criticized, the Utah village system persists, indicating that some advantages probably offset at least in part the economic disadvantage of living in towns.

Roughly speaking, the large farm incomes are found in connection with large investments, being partly at least a function of high capitalization. There are no very noticeable exceptions, though there is an apparent one when the Nebraska area is compared with Sumter County, Georgia, which has nearly as large a farm income but only about three fifths as large a capital. Many of the farm operators of Sumter County, however, are large landholders who have considerable incomes from land rented out. The tenants are not included in this tabulation on account of the data being so given that only the tenants' share of the investment was given, the total farm investment being not easily ascertainable. It should also be noted that the farm incomes on the Provo area in Utah and Chester County, Pennsylvania, with total investments of \$11,688 and \$10,486, respectively, are approximately as large as those from West Central Iowa, and from the Willamette Valley, Oregon, with double the capital.

TABLE 3.—*Money from Farm Income Available for Family Use when Farm is Purchased on Amortization Plan in 10, 20, or 30 Years with Interest on Mortgage at 5, 6, 8, or 10 Percent.*

State.	Area.	10 Years.					20 Years.					30 Years.				
		5%	6%	8%	10%	5%	6%	8%	10%	5%	6%	8%	10%	5%	6%	8%
<i>North Atlantic States:</i>																
New York.....	Tompkins County	.41	6	67	142	314	275	194	108	397	356	266	166			
New Jersey.....	Monmouth "	—783	—905	—1157	—1420	—161	—253	—552	—452	—307	—307	—3	—351			
Pennsylvania.....	Chester "	—45	112	250	393	472	399	245	81	631	551	382	191			
<i>North Central States:</i>																
Illinois.....	Kane County	—2142	—2383	—2882	—3402	—275	—535	—1093	—1685	—301	—13	—600	—1288			
Illinois.....	West Central	—3440	—3765	—4438	—5138	—924	—1778	—2027	—2825	—147	—535	—1362	—2289			
Indiana.....	Central	—1084	—1195	—1426	—1666	—220	—342	—599	—872	—46	—86	—371	—689			
Iowa.....	West Central	—1553	—1701	—2006	—2344	—411	—572	—911	—1274	—59	—235	—610	—1031			
Michigan.....	Lenawee County	—458	531	684	845	125	43	131	313	303	214	190	24	19		
Minnesota.....	Southeastern	—725	—818	—1017	—1212	—4	—106	—321	—549	—218	—107	—130	—396			
Nebraska.....	Eastern	—1734	—1903	—2254	—2619	—421	—606	—997	—1413	—16	—219	—650	—1133			
Ohio.....	Washington Co.	—291	—323	—399	—473	—11	—50	—133	—221	—111	—32	—32	—102			
Wisconsin.....	Green County	—2079	—2277	—2685	—3110	—550	—766	—1221	—1705	—79	—315	—87	—1380			
<i>South Central States:</i>																
Kentucky.....	Bluegrass Region	—2318	—2559	—3056	—3574	—457	—719	—1273	—1863	—118	—169	—781	—1467			
Kentucky.....	Southwestern	—997	—1106	—1330	—1563	—158	—277	—526	—792	—100	—29	—305	—614			
Missouri.....	Southwestern	—348	—405	—524	—648	—97	—35	—98	—238	—234	—166	—20	—144			
Average Farm	—78	—98	—141	—186	—83	—60	—13	—38	—132	—108	—55	—44				
<i>Southern States:</i>																
Georgia.....	Brooks County	—212	—269	—388	—511	—230	—168	—36	—104	—367	—299	—154	—10			
Georgia.....	Sumter "	—310	—432	—642	—856	—446	—336	—195	—141	—683	—566	—398	—25			
Georgia.....	Anderson "	—312	—347	—420	—496	—40	—78	—157	—245	—44	—2	—87	—187			
South Carolina.....	Ellis County	—617	—720	—930	—1150	—172	—60	—172	—427	—415	—293	—34	—257			
<i>Western States:</i>																
Arizona.....	Southern Galatin Valley	—311	—443	—716	—999	—709	—565	—261	—52	—1023	—866	—531	—155			
Montana.....	Willamette Valley	—1334	—1507	—1865	—2337	—5	—184	—582	—1006	—417	—211	—229	—722			
Oregon.....	Prov.	—1618	—1762	—2061	—2376	—499	—657	—990	—1344	—155	—327	—694	—1106			
Utah.....	Utah	—202	—276	—430	—590	—374	—293	—122	—61	—552	—463	—274	—62			
Six counties	—404	—480	—636	—799	—181	—99	—75	—272	—361	—272	—79	—136				
Salt Lake Valley	—665	—744	—905	—1095	—60	—145	—325	—515	—127	—34	—165	—388				

Interest rates on farm loans vary rather widely from New York to Georgia or from Iowa to Arizona. On this account the labor incomes are instructive, especially if each area were studied separately in detail. In general, rates are higher in the South and West than in the Central and North Atlantic divisions. This tends to offset the apparently somewhat higher labor incomes.

The data in Table 2 are entirely functions of the total investments as reported in Table 1 and are not, therefore, indicative unless taken in connection with Table 3 which shows the difference between the farm incomes and the necessary annual payments to purchase the farms on the amortization plan.

It is in Table 3 that the real results may be seen. An examination shows that in no case except for Tompkins County, New York, is the farm income large enough to cover the payment if the farms were to be paid for in ten equal annual installments, the mortgages carrying 5 percent interest. Here the unpaid family labor is included in the "farm income." In the New York area only \$41 is left for family use and this decreases to \$6 if the interest rate be raised to 6 percent. In addition to supplying all cash necessary for family expense for the 10 years, enough extra money must be secured each year to make up the annual payment. This amount varies annually from \$45 in the case of Chester County, Pennsylvania, to \$3,440 for the West Central Illinois area. High deficits would be accrued in several other areas, notably \$2,318 for the Bluegrass Region; \$2,142 for Kane County, Illinois; \$2,079 for Green County, Wisconsin; \$1,734 for eastern Nebraska; and \$1,618 for the Oregon area.

At 6 percent the deficits are larger, reaching \$3,765 for West Central Illinois; \$2,559 for the Bluegrass area; \$2,383 for Kane County, Illinois; and \$2,277 for Green County, Wisconsin. At 8 percent they of course run still higher reaching up to \$4,438, \$3,056, \$2,882, \$2,685, \$2,254, \$2,061, and \$2,006 for West Central Illinois, the Bluegrass Region, Kane County, Green County, eastern Nebraska, Willamette Valley, and West Central Iowa, respectively. At 10 percent these figures are, of course, correspondingly increased.

In no area, then, can "average" farms pay for themselves in 10 years, even with 5 percent mortgages. Four percent interest would make it just possible in one or two areas. Perhaps 10 years is too short a time; therefore, let us consider 20 years.

Twenty-year mortgages at 5 percent look possible in four or five places. Southern Arizona shows \$709 left for family use; Chester County, \$474; Sumter County, Georgia, \$446; the Provo area in

Utah, \$374; and Tompkins County, New York, \$314. However, all except the New York and Pennsylvania regions must pay at least 8 percent on the mortgages. This leaves nothing like a decent living income for family use. Only the Arizona and Pennsylvania regions show as much as \$200 left for family use with a 20-year mortgage at 8 percent. None have as much as \$400 left over, whereas nine are from \$500 to \$2,000 behind at 8 percent and six are more than \$300 in arrears at 5 percent. The southern Arizona area is newly settled and advances in land values are likely. It is not at all improbable that the price of Arizona land was too high within two or three years after the survey to leave any money for family use on a 20-year 8-percent mortgage.

Twenty years also seems not enough time for a farm to pay for itself, unless 4 percent rates could be had.

If the time be extended to 30 years, 11 of the 26 areas would have as much as \$300 in cash left after making the necessary annual payment. Seven others would have between \$100 and \$300; two would have between nothing and \$100. Set against these are five still with deficits. At 8 percent only three areas have as much as \$300 left over, and only one—Arizona—with more than \$400. The probability of an advance in land value in that region has already been mentioned. Here particularly 4 percent rates would cause things to brighten up considerably.

But interest rates vary by regions. A study by states (22) gives the average rates for each state as shown in Table 4. The necessary payment at the ascertained interest rate and the money left over is also included. It is apparent from the table that only the New York and Pennsylvania regions can pay for their farms in 20 years and that these do not have enough money left for a very handsome living. In 30 years eight other areas can just manage the payments with a little over to live on. These areas are New Jersey, Michigan, Missouri, West Virginia, two Georgia areas, Arizona, and the Provo area in Utah. The others either cannot make the payment or else have so little money left for family use as to make living very meager.

A few areas have appreciable deficits for 30-year amortization. They are: West Central Illinois, \$535; Iowa, \$217; Nebraska, \$457; Wisconsin, \$269; Kentucky (Bluegrass), \$506; Montana, \$722; and Oregon, \$694.

Finally, unpaid family labor must be taken into account. In the survey data it is usually subtracted as a general farm expense. This is not available for all the areas but is for somewhat more than half

TABLE 4.—*Average Interest Rate on Mortgage Loans in Various States Together with Necessary Annual Payment and Money Available for Family Use when Farm is Bought on Amortization Plan in 10, 20 or 30 Years.*

Area.	Average Interest Rate.	10 Years.		20 Years.		30 Years.	
		Necessary Payment.	Money Left.	Necessary Payment.	Money Left.	Necessary Payment.	Money Left.
<i>North Atlantic States:</i>							
New York.....	5.6	749	18	466	291	385	372
New Jersey.....	5.8	2,580	— 881	1,644	55	1,303	336
Pennsylvania.....	5.8	1,412	— 99	900	413	746	557
<i>Northern Central States:</i>							
Illinois (Kane Co.).....	6.0	5,149	— 2,383	3,301	— 535	2,753	13
Illinois (West Central).....	6.0	6,941	— 3,765	4,454	— 1,278	3,711	— 535
Indiana.....	6.2	2,428	— 1,241	1,555	— 368	1,302	— 115
Iowa.....	5.9	3,136	— 1,686	2,006	— 556	1,667	— 217
Michigan.....	6.6	1,652	— 584	1,077	— 9	911	157
Minnesota.....	6.8	2,065	— 895	1,362	— 192	1,158	12
Nebraska.....	7.1	3,814	— 2,097	2,539	— 822	2,174	— 457
Ohio.....	6.1	772	— 329	497	— 54	316	27
Wisconsin.....	5.8	4,177	— 2,237	2,663	— 723	2,208	— 269
<i>South Central States:</i>							
Kentucky (Bluegrass).....	7.1	5,409	— 2,833	3,600	— 1,024	3,082	— 506
Kentucky (southwestern).....	7.1	2,437	— 1,229	1,623	— 415	1,389	— 181
Missouri.....	6.8	1,275	— 453	841	— 19	714	108
West Virginia.....	6.4	451	— 107	293	— 51	247	97
<i>Southern States:</i>							
Georgia (Brooks Co.).....	8.7	1,383	— 431	965	— 13	846	106
Georgia (Sumter Co.).....	8.7	2,428	— 716	1,693	— 19	1,502	210
South Carolina.....	8.4	839	— 435	580	— 176	511	— 107
Texas.....	9.0	2,497	— 1,040	1,757	— 300	1,569	— 112
<i>Western States:</i>							
Arizona.....	9.4	3,283	— 913	2,336	— 44	2,102	268
Montana.....	10.0	4,422	— 2,337	3,191	— 1,006	2,907	— 722
Oregon.....	8.0	3,383	— 2,061	2,312	— 990	2,016	— 694
Utah (Provo).....	9.0	1,822	— 510	1,281	— 31	1,144	168
Utah (six counties).....	9.0	1,852	— 717	1,303	— 168	1,163	— 28
Utah (Salt Lake Valley).....	9.0	1,917	— 990	1,347	— 420	1,204	— 277

of them. When this is added to the farm income, a somewhat larger figure is secured, which for convenience I have called the family-farm income.

Tables 4 and 5 show that except in two or three cases this has had comparatively little effect on the money available after amortization, because as a whole unpaid family labor is not a large item.

In addition, it must be borne in mind that mortgages must be renewed at intervals of a few years. This involves inconvenience and also extra expense of various sorts which further decrease the already slender remnants of the family-farm income.

In this connection it is only just to state that in several regions a few of the best farms are reported in a separate group. These would pay for themselves easily in 20 years—some of them in 10 years. But

TABLE 5.—*The Farm Income with Unpaid Family Labor Added to Get Family-Farm Income. The Money Available After 20-year and 30-year Amortization at Existing Interest Rate is Also Shown.*

Area.	Farm Income.	Unpaid Family Labor.	Family Farm Income.	Money Available for Family Use when Farm is Bought in	
				20 Years.	30 Years.
New York.....	757	{ included in farm income	757	291	372
Illinois (west Central).....	3,176	127	3,303	-1,151	-408
Indiana.....	1,187	86	1,263	- 282	- 29
Iowa.....	1,450	101	1,551	- 455	-116
Minnesota.....	1,170	170	1,340	- 22	182
Ohio.....	443	87	530	33	114
Kentucky (Southwestern).....	1,208	81	1,289	- 334	-100
West Virginia.....	344	{ included in farm income	344	51	97
Georgia (Brooks Co.).....	952	101	1,053	88	207
Georgia (Sumter Co.).....	1,712	45	1,757	64	255
Texas.....	1,457	203	1,660	97	91
Montana.....	2,185	112	2,297	- 894	-610
Utah (Provo).....	1,312	154	1,466	185	322
Utah (Salt Lake Valley).....	927	149	1,076	- 271	-128

these best farms are not for sale: they do not get on the market. Ordinary purchasers have to be content with poorer bargains, especially where they need considerable credit.

Finally, these calculations assume that a purchasing operator can run the farm as successfully as the present occupant who is already well acquainted with his specific problems. This of course is questionable for the "average" man at least during the first four or five crucial years. To buy a farm successfully, then, a man must be well-trained and efficient. The farm can no longer be a dumping ground. Only the fit can survive.

Is it possible that the farm lands of the United States except in regions of earlier settlement are over-capitalized? After a region is definitely settled, do the prices of farm lands tend to return to values justified by production, whereas in newer regions, speculative possibilities tend to keep land prices somewhat above what is justified by purely agricultural returns?

Some persons maintain that the survey method is fraught with possibility of error. Perhaps the most frequently urged objection is that it is based on farmers' estimates. The Office of Farm Management in the United States Department of Agriculture has investigated this matter. Spillman (20) concluded that in view of the large

number of farms from which data can be drawn and when trained enumerators are employed the results are rather accurate. He further feels that the degree of accuracy attainable is greater than that possible in field experiments by the plot method. In one place he says:<sup>2</sup>

The opinion prevails quite widely, even among farmers themselves, that the average farmer knows very little of the details of his business. The results given in the foregoing pages indicate that this opinion is not consistent with facts. During the past decade the Office of Farm Management has analyzed the business of nearly 20,000 farms. The experience gained in this work indicates that the average farmer does know the details of his business with a fair degree of accuracy, the discrepancy in his knowledge being relatively small in the case of the larger and more important items, but increasing as the importance of the items decreases.

Again he says:<sup>3</sup>

Even if the probable error of the individual estimates is as much as 25 percent, the probable error of the average of 100 such estimates is only 2½ percent. Hence, even if the farmer's knowledge of the details of his business were even less definite than experience has shown it to be it would still be possible to get fairly reliable results by securing large numbers of estimates and using only averages of them. This principle is taken advantage of in the study of farm practice, and there is reason to believe that, within the proper limits of use of the results obtained, studies of this kind are entitled to at least as much consideration from the standpoint of accuracy as are those involving experimental work conducted under the most favorable field conditions. Indeed it is believed that when carefully conducted by those properly trained both in the collection of data and in the interpretation of these data, the results of such studies approach in accuracy those obtained in laboratory investigations.

. . . A little consideration will show that in a highly variable quantity, such as the yield of a given plot treated in a given way, six duplicate plots is far too small a number to insure with any degree of certainty that the action of the law of averages will eliminate the departures from the true average. In general, the average of six such yields, no matter how accurately each yield is measured, is far less reliable than would be the average of 60 estimates of farmers based on years of experience with a given field. Sixty such estimates give a chance for the law of averages to eliminate a large proportion of the errors in the individual estimates, and these errors are in general no larger than those in plot yields, no matter how accurately these yields are measured.

. . . Our studies lead to the conclusion that errors in the farmer's knowledge of the details of his business and of the work he does are in every way comparable to the departures from the true mean in field plot experimental work and that they distribute themselves about the true values in approximately the same manner. The fact that the survey method of investigation gives data sufficient to permit the law of averages to eliminate plus errors by the occurrence of similar minus errors while plot experiments ordinarily do

<sup>2</sup> U. S. Dept. Agr. Bul. 529, p. 7.

<sup>3</sup> Loc. cit., pp. 10, 11.

not do this appears to justify that statement that the survey method is a more reliable means of arriving at those facts to which it is applicable than the field plot experimental method. It appears, in fact, to occupy a place intermediate between plot experiments on the one hand, where variations in other factors than that under observation occur and are not adequately eliminated, and laboratory studies on the other hand, in which variations in other factors are largely prevented. These variations due to factors other than that studied do occur in using the survey method, but the amount of data obtained by this method is sufficient to permit the elimination of such variations by the operation of the law of averages.

Warren (24) also favors the method. He says<sup>4</sup> in part:

But when we deal with living things or with farming as a business, however accurate our measurements, we must have many of them in order to obtain reliable results even if the individual results are absolutely correct. If we want to know how much an average cow weighs, we can never find out by the most accurate weighing of a single cow.\* She may not be an average cow. The weight of a thousand cows, each weighed to the nearest 100 pounds, would be infinitely more reliable than the weight of a single cow that was accurate to the nearest milligram.

If we kept the most accurate cost accounts on fifty farms, the results would be much less reliable than survey figures from one thousand farms. The danger of error from not having typical farms is greater than the errors in individual records when careful survey work is done.

In a survey in New Hampshire 135 farmers were asked to estimate the amount that they received from the sale of milk during the past year. These figures were compared with the actual payments made by the creameries. The total of the estimates was almost exactly correct, the error being only .0034 of 1 percent. The amount of milk sold was estimated by 79 farmers. The error of the total was less than 1 percent.

Finally it should be borne in mind that, in working up the tables, wherever averages were used they were so weighted as to show true averages, thus reducing the error from that source.

#### CONCLUSIONS.

In view of the data presented it seems that "average" farms are not earning large enough total incomes to buy the farms in 20 years at normal interest rates. The farms of a few regions can do so in 30 years with small cash balances left for family expense. Living would even then have to be frugal to say nothing of amusements and social life. Education of the boys and girls in another town—even one at a time—is almost out of the question. In the great agricultural states of the mid-continent region not a single area as a whole can pay for its farms and have enough money for necessities to

<sup>4</sup> Cornell Bul. 344, p. 425.

say nothing of education, pleasure, or charity. Other areas, except in the North Atlantic region, are but little better off. The farms seem over capitalized. The dice are loaded against the untrained man with small capital and moderate ability, who wishes to become a farm owner. Is it surprising that tenancy continues to increase?

It seems fair, therefore, to conclude that only they who are well-fitted by training or experience, and who in addition possess somewhat more business ability, than the "average" farm operator should expect to earn a living on the farm and at the same time save enough to buy the farm.

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#### NEWS NOTES.

Mr. Asher Hobson, formerly assistant chief in the Office of Farm Management and Farm Economics, U. S. Department of Agriculture, has accepted a position as associate professor of marketing in Columbia University, New York. Mr. Hobson will assume his new duties during the month of September.

Mr. G. W. Forster, formerly assistant professor of agricultural economics in the University of Kentucky at Lexington, has been appointed assistant chief in the Office of Farm Management and Farm Economics, Washington, D. C.

Mr. R. V. Wright has been appointed farm management demonstrator in California to succeed Mr. A. N. Nathan, who has resigned to go into commercial work. Mr. Wright is a graduate of the Oregon Agricultural College and since graduation has spent three years as manager of the Oregon State Boys' Farm and two years as a Smith-Hughes agricultural teacher in the Hood River section.

Miss Cora Feldcamp, formerly Librarian in the Office of Farm Management and Farm Economics, has assumed similar duties at the Agricultural College, East Lansing, Michigan.

## **MARKETING AS A PROBLEM FOR FARM DEMONSTRATORS.**

B. H. HIBBARD,

UNIVERSITY OF WISCONSIN, MADISON.

Clearly marketing is one of the most difficult problems confronting the farmer. It will continue to be difficult for years to come, and in all probability will never be entirely settled. One explanation of the difficulty is the fact of the human relationships involved. When any worker on the production side of agriculture goes out to fight for humanity against the leaf hoppers or the San Jose scale, he is cheered on the occasion of every success and encouraged in every effort. All society is against the San Jose scale. In the marketing world the offenders are human beings, with the same rights as the rest of us. It may happen that the supposed offenders are as efficient and honest as the people who criticize them. Even so, the system in which they are involved may need change. It may be imperative that a change be made, and the very fact of a change may hurt certain individuals. These individuals and their friends will not welcome the innovation. During these times of high prices the middleman comes in for a new scrutiny. His margins are the subject of suspicion. The justification of his very existence in the capacity of a merchant is questioned. The concern of those interested in marketing is whether the marketing machinery is reasonably well adapted to the work it has to do, and the manner in which it operates.

We might take up much time with the history of marketing, but it will be necessary to pass over this very interesting phase of the subject with a few words. The marketing problem is new because it is but a relatively short time back to the self-sufficing farm and the neighborhood when farm produce, with few exceptions, was able to make its way into the national and world markets. For years after farmers were producing for the great markets they were completely out of touch with the forces governing such markets.

Following the Civil War the center of production moved toward the west more rapidly than the center of population. Within a few years production outgrew its markets. Corn was worth five to twenty cents a bushel, oats about the same, and wheat fell below a half dollar locally in many districts. Transportation systems were new and badly planned from the standpoint of economy, with the result that

freight rates were high. For example, it cost, during the early 70's, four fifths of the New York price of grain to carry the grain from Iowa to the seaboard.

These facts account in large measure for the farmer movement that culminated in the Grange. The farmers were convinced that the railroads were to blame for the situation. The whole marketing question involving processes and agencies came to the front as never before. The middlemen as well as the railroads were involved in the program, and during the years 1870 to 1880 the problems of marketing occupied the center of the stage. With certain periods of quiescence we have had a marketing campaign in progress in some part of the field from that day to this. This morning's paper announces that there is destined to be a revolution in marketing methods.

The first thing for the farmers to do in connection with any marketing innovation is, where possible, to discover the facts. Very frequently the real facts are quite different from the imagined facts. Within the past few years studies have been made in connection with the marketing of several leading farm products.

It is easy for a clever speaker by innuendo to get applause from an audience on such a subject as the relation of the packer to the farmer. In a talk of this kind, not a single fact is, as a rule, employed. Or if facts are used, they are distorted or taken out of their proper setting. What we need on the packer question, as on others, is a true and faithful setting forth of the situation as it really is. The time is past when the packers can afford to withhold the necessary information for a story of their work. Criticism has gone too far, and public sentiment been too much stirred for them longer to gain by assuming that their affairs are nobody's business but their own.

One thing that every farm demonstrator should understand clearly is that in most marketing operations the greater opportunities for loss or gain are more likely to be near to the farmers' door than in a distant market. This is no effort to apologize for or cover up crookedness in the central markets. However, the opportunity nearest at hand should occupy the attention first. A good instance was reported from Nebraska last year. A farmer with two fat cows to sell asked the local buyer how much he would give for them. The reply was "Six cents a pound, or \$140." By slow degrees the buyer came up to eight cents or a lump sum of \$175. The farmer refused and sent them to Omaha through a livestock shipping association, and received for the two head \$113 more than the first offer by the local buyer. This is no doubt an extreme instance, but there are numberless instances of purchase of stock from farmers at prices so low as to give

the buyer at the home station a margin many times greater than that taken by the packers. It does not follow that these local buyers get too wealthy. The competition for the business is such that, one time with another, the returns are not high enough to make a great income. However, this does not insure a fair price to the farmer, since the margin of doing business under these circumstances is altogether too wide.

*Livestock Shipping Associations Succeed.*—In a certain Wisconsin village three stock buyers were buying stock and three families were getting a living out of it. They used to drive horses, later they had to have automobiles. Farmers got together one time because of a little dissatisfaction. Somebody did not get what his produce was worth so he started a movement. He said, "Let us ship our own stock." They held a meeting, got over a hundred members to join, and one man working two days does all the work for that entire community and does the work of all the association. They pay him for two days' work. He does in one third the time what three men did on full time. These other three men are making a living at something else. They do not like to be put out of business. We do not like to see them put out. They were going ahead in a natural way; they were not getting rich, but they were not doing the work economically. We are going to be asked questions as to whether or not we should do this.

Now, here is a question that came to me. A county agent writes in and says they have twenty-four creameries in their county. They have recently held a meeting. They are not satisfied with market conditions and they propose to build a cold storage house in order to hold their butter over until winter months when butter will be higher priced. What do you think about it? Can twenty-four creameries do it? It is hard to say. In any case, whenever you give farmers advice on marketing, this one thing you want to be careful about. Either advise them not to go into a speculating business or advise them to go in knowing what it is like, so they may have their eyes open. All storage is a speculative arrangement, and what is there always cheap in the fall and dear in the spring? Do you know that if you had all your money tied up in wheat every September and made all your sales the following May you would have a good many nervous moments between those two dates and a great many years you would not come out with a big bank account to your credit because the price of wheat in May is not much more than in September beyond carrying costs. Now, shall these people put their butter in cold storage in June, July and August for sale in February, March

and April? If they do they are going to assume the risks of the speculator. The ups and downs of speculation are well shown in the occurrences in the cheese market a few years ago. During the first year of the Wisconsin Cheese Federation they had this story going around: One certain cheese dealer, speculating in cheese, sometimes selling five minutes and sometimes five months after buying, paid \$853 in income tax one year. It is a very big sum to pay in income taxes and suggests a pretty big income from one year's business. So they said: "That is our money." This particular man did pay \$853 income tax one year but the next year he didn't pay any. He had handled cheese and the price did not go up beyond carrying cost so he made no money and the State got nothing in the way of income tax; the next year he was bankrupt, and the next year he died. His friends said he died because of business worries and yet this is the particular man who was held up to ridicule because he was stealing from farmers. One year the farmers were all anxious to speculate; the next year the price failed to rise and they were glad they had not speculated. If the farmers go into the speculating business, there is one thing that is surely going to happen; they are going to lose sometimes by the speculation and just as surely as they do the losses are going to impress them more than the gains. There isn't a very great deal of coöperation in betting. If you want to bet on a horse or a base-ball game, you don't usually hunt up several people to help share the bet. The rest would say that it was not their judgment that was followed if you lose. The same is true of farmers. If farmers speculate in butter the verdict will be: "It was not my judgment to hold this butter, but we had a poor manager." When it goes up they will take their checks as a matter of course and not even know how much of it was due to the shrewdness of the manager. They do not know that they have gained by speculation, but they will be very keen as to losses, and they will remember the loss for a long time after the gains are forgotten. It is where the evil that men do lives after them. If they go into genuine speculation there is going to be trouble ahead.

The fact of greater savings near home is shown in the marketing of grain. The best grain marketing organization among the grain growers is not found in the United States. It is in Canada. They have beaten us very much in the way of organizing their own grain business. They started out about the same time we did to make some headway in the grain market as farmers. They have gone on steadily, quietly, safely, toward what seems to be the best grain marketing association we have in America. One of the leaders of that organization about three years ago, during the war, made this unqualified

statement: "We started out because of our antipathy against the grain gamblers and we were going to see why those gentlemen should drag the price of grain up and down at will. We began locally, then effected a central organization." They were after the grain gamblers of Winnipeg. They organized their central office at headquarters. They brought the grain in from the country and then again they organized a subsidiary company and carried it across the Atlantic, not to one port but to a dozen, and they have been for some years marketing grain in Italy, France, England, Belgium, and Germany. They have gone to practically all the ports of Europe with their own wheat. After they have risen to the point where they can get a bird's-eye view of the farmers' production, the millers' operations and the wholesale market of Europe, they should be able to answer this simple question: "Where did you find the great advantage of this system over the regular commercial system?" It was mostly at the home elevator. That is where they found the big margin. They did not go out and attack anybody. They simply said, "There is a way to get grain to the world at less expense." They quietly went ahead and built their own elevator and the others had to get out of the way or get into it at some other place.

That the great margins are near home is not because any particular one is to blame for it. Competition carries us so far and no farther. If four of us had each an elevator at a given point, and if we had no other means of support, and circumstances were such that we had to get a living out of it, we would show our books and say we couldn't handle grain at a smaller margin than the one prevailing. We arrange our business in accord with what it takes for us to live on. Therefore, there is competition; and competition means high prices as much as it means low prices. Here comes the farmer group. There are perhaps 160 grain growers in this group. Most of them have been patronizing the four elevators. Let us say something like 6 cents has been required to put grain through the elevator. The group can do it for about 3 cents if they have one big elevator under one man. The farmers by getting together leave these men in the lurch. We may be sorry for them, but we can't keep on supporting them. The whole group will put this grain through the elevator at 3 cents mainly because of the advantage of big business.

A most excellent example of what farmers can do in conquering a market is that of the Wisconsin Cheese Producers' Federation, referred to above. It now has a history of nearly seven successful years. In the beginning it was believed by the farmers that a considerable part of the wide margin between what the farmer received and

what the consumer paid was graft, or waste. A careful study showed that by far the greater part of the spread was necessary under present management. The Federation can save enough to justify the effort, but it can not close up the major part of the wide gap.

The best results of the marketing studies and marketing plans thus far is the information which has been brought to light. It is futile and fatal to rail against monsters of the imagination. The thing to do is to find out what the case in question really is, and then prescribe a remedy which fits the case. Information is not always readily available, but action without it is worse than useless.

#### NEWS NOTES.

Mr. M. O. Pence, county agent leader in Delaware, will also act as farm management demonstrator in this State.

Mr. Ben Eldredge, a graduate of the Utah Agricultural College and for many years a successful dairyman, has been appointed as farm management demonstrator in Utah. More recently Mr. Eldredge has been employed in dairy extension work in Utah.

Mr. Stanley F. Morse of New Orleans was recently elected president of the southern section of the American Society of Agricultural Engineers, at the annual convention of this association, which was held at Memphis, Tennessee, during the latter part of August.

Mr. A. B. Cox succeeds Mr. H. M. Eliot as chief in farm and ranch economics in the Texas Experiment Station at College Station, Texas.

Mr. J. S. Ball, assistant in farm accounting in the Office of Farm Management and Farm Economics, Washington, D. C., has resigned and has accepted a position with the American Audit Company, Colorado Building, Washington, D. C.

Mr. H. R. Tolley, who has been with the Office of Farm Management and Farm Economics for several years, has been transferred to the Division of Rural Engineering, Bureau of Public Roads, Washington, D. C.

Prof. Frank App, of the New Jersey Experiment Station, has changed his duties somewhat this autumn. He writes as follows: "I am taking temporary leave from the work at New Brunswick to serve as secretary of the State Council of County Boards of Agriculture in New Jersey. This does not mean that I am completely separating myself from investigational work in the state. I hope to continue in close touch as I have in the past. However, it will prevent my doing any teaching."

**NOTICE OF ANNUAL MEETING.**

The Eleventh Annual Meeting of the American Farm Economic Association will be held December 30 and 31 and January 1 next, at Washington, D. C. The program and headquarters will be at the National Museum Auditorium, 10th and B Streets, N.W.

The committee on arrangements will be glad to make reservations for hotel accommodations for out-of-town members if they will kindly notify the Secretary of the date of their arrival.

The meeting this year will follow directly after the annual meeting of the American Economic Association which is to be held at Atlantic City, N. J. The committee has felt that a number of those interested in the proceedings of the American Economic Association would find it convenient and profitable to stop at Washington on their return to their respective offices and attend the meetings of the American Farm Economic Association.

Special features of the program will be round table discussions of tests of efficiency of the farm business; elements of cost in producing farm products; relation of cost to price in farm production; the value and practical use of cost data, and other subjects of equal interest. Papers will be prepared dealing with marketing economics, land tenancy, farm organization, price trends, farm power, and related questions.

The committee is planning to have represented on the program such organizations as the Tariff Commission, Federal Trade Commission, National Board of Farm Organizations, Federated Farm Bureaus and other groups dealing with the farmer's economic problems.

**HAVE YOU PAID YOURS?**

This issue is reduced to twenty-four pages because the funds in the treasury of the Association will not permit the publication of the regular-sized JOURNAL. It is doubtful if the printing of this issue can be paid for out of this year's collections unless those who are in arrears pay their dues and subscriptions.

One hundred and seventy members—about one third—have not as yet paid the two dollar fee for this year. This may not seem to be unusual in view of the many demands that are made upon our pocketbooks; but it causes considerable difficulty in meeting the obligations of the Association, and it prevents the normal expansion which should be made in developing the JOURNAL OF FARM ECONOMICS.

The Secretary-Treasurer will submit the regulation publication-subscription plan at the coming annual meeting of the Association. This means paying in advance for the JOURNAL with dates and expirations of subscriptions running from current issues rather than on the annual basis as at present. This is also in strict accordance with the postal regulations. In addition the Treasurer will have a safer basis for conducting the affairs of the Association. Under the present plan one may receive the four issues of the JOURNAL and pay nothing for them.

